



To: Ways and Means Subcommittee on Natural Resources

From: Anthony Buckley, Energy Development Services Division Manager

Date: May 13, 2013

Subject: SB 583 A-Engrossed – Alternative Fuel Vehicle Revolving Fund

INTRODUCTION

Senate Bill 583 A-Engrossed creates the Alternative Fuel Vehicle Revolving Fund. The bill directs the Department of Energy to provide loans to public entities and tribes, for the additional cost of purchasing alternative fuel vehicles as compared to vehicles that are not alternative fuel vehicles, and for the conversion of existing gasoline or diesel fueled vehicles to alternative fuel vehicles. Priority is given to funding vehicle conversions.

DISCUSSION

The Alternative Fuel Vehicle Fund is to operate on a self-sustaining basis. The bill authorizes the Department of Energy to conduct rulemaking to determine the loan procedures, terms and requirements. The bill authorizes the auction of no more than \$3 million in tax credits. The net proceeds will be deposited in the Alternative Fuel Vehicle Fund. The Department of Energy is authorized to deduct their costs from the fund for administering the program, and the Department of Revenue may charge up to 0.25 percent of the proceeds to cover their administrative charges associated with the auction of tax credits.

The bill allows a tax credit for certified alternative fuel vehicle contributions made by the taxpayer during the tax year the contributions are made to the Alternative Fuel Vehicle Revolving Fund. The unused portion of the tax credit issued under this program may be carried forward for three years. Contributions may not exceed \$3 million.

The Department of Energy administers the Small-Scale Energy Loan Program (SELP) and energy tax credits, so work required under this bill aligns with existing programs. This bill as written would establish a new program that will require one-time set up work. Completing program set-up, marketing, and loan distribution activities will require support from a variety of individuals such as the SELP manager, existing loan officers, and rulemaking staff.

The SELP budget structure considers administrative functions to be limited and included in the legislatively authorized limited expenditures; however loans and debt service are considered non-limited. It would be more efficient for the Department of Energy to administer the